

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
THE HELP II PROGRAM
EXECUTIVE SUMMARY**

Applicant:	California Family Life Center ("CFLC") 930 N. State Street Hemet, CA 92543 Riverside County	Amount Requested:	\$320,000
		Requested Loan Term:	15 years
		Date Requested:	February 26, 2009
		Resolution Number:	HII-236
Project Site:	13876 Charlan Road, Valley Center, CA 92082, San Diego County		
Facility Type:	Group Home		
Prior HELP II Loan Borrower:	No		

Background: CFLC, a not-for-profit organization, was incorporated in 1982 and has 25 years of experience serving juvenile offenders, group home youth, foster children, kin care youth, high school dropouts, and pregnant and parenting teens. Through their residential treatment program, CFLC serves over 175 adolescent boys and girls every year. Along with their corporate office and 3 group homes in Riverside County, CFLC also operates two group homes in San Diego County.

Uses of Loan Proceeds: Loan proceeds will be used to purchase a 2,180 square foot home for use as a group home for adolescents in San Diego County. This will allow CFLC to transition one of their existing group homes in San Diego County from its current leased facility.

Financing Structure

- 15-year fixed rate loan.
- 180 equal monthly payments of approximately \$2,210 (yearly payments of approximately \$26,520).
- Gross revenue pledge.
- A 1st lien position on the property located at 13876 Charlan Road, Valley Center, CA.
- Loan to value ratio not to exceed 95%.

Financial Overview: CFLC's income statement appears to exhibit consistent operating results over the review period. CFLC's balance sheet appears to display good liquidity with a proforma debt service coverage ratio of 6.98x indicating CFLC should likely comfortably be able to repay the proposed HELP II loan.

<u>Sources of Funds</u>		<u>Uses of Funds</u>	
HELP II Loan	\$320,000	Purchase property	\$350,000
Borrower Funds	<u>36,000</u>	Financing costs	<u>6,000</u>
Total Sources	<u>\$356,000</u>	Total Uses	<u>\$356,000</u>

Legal Review: No information was disclosed to question the financial viability or legal integrity of the Applicant.

Staff Recommendation: Staff recommends approval of a HELP II loan for California Family Life Center in an amount not to exceed \$320,000 for a term not to exceed 15 years, and contingent upon financing terms acceptable to the Authority.

**STAFF SUMMARY AND RECOMMENDATION
THE HELP II PROGRAM**

February 26, 2009
California Family Life Center
Resolution Number: HII-236

I. PURPOSE OF FINANCING

***Purchase real property*..... \$ 350,000**

The HELP II loan proceeds and borrower funds will be used to purchase a 2,180 square foot home situated on 1.75 acres, located at 13876 Charlan Road.

This facility will provide residential “group home” services to “at risk” youth. Children placed at CFLC are from various backgrounds which often involve neglect, some form of abuse, and abandonment. While at CFLC, youth will receive medical, dental, optical, and psychiatric services. Additionally, the residents will receive educational assessments and placement at the appropriate local scholastic facility. Home-based services include individual counseling, group discussion forums, daily living skills, personal responsibility, job coaching, and healthy living practices. This facility and its services are not affiliated with CFLC’s Foster Family Agency services, which are part of a stand-alone program housed at another location.

CLFC desires to purchase the proposed project property to provide a permanent location for its group home operations (CLFC is currently under a month-to-month tenancy, with a monthly payment of \$1,950). CLFC has been unable to obtain a long-term lease agreement or permission to make leasehold improvements at the existing facility. The proposed HELP II loan will result in a cost savings of approximately \$150,000 for CFLC over the life of the loan, when comparing the 3% interest rate versus an 8% rate for commercial loan, currently available.

If approved by the board, CHFFA will take a 1st lien on the newly acquired property. CHFFA will condition the loan upon receipt of a full appraisal demonstrating satisfaction of the Authority’s maximum loan to value ratio policy of 95%.

<i>Financing Costs</i>	<u>6,000</u>
Authority fee	\$4,000
Title/Escrow fees	<u>2,000</u>
<i>Total Uses of Funds</i>	<u>\$ 356,000</u>

II. FINANCIAL STATEMENTS AND ANALYSIS

California Family Life Center Statement of Activities (Unrestricted)

	For the year ended June 30		
	2008	2007	2006
<u>SUPPORT AND REVENUE</u>			
Board and care fees	\$ 2,837,280	\$ 2,824,126	\$ 2,839,092
Foster care fees	2,514,970	2,707,834	2,116,121
Other government assistance	1,864,904	1,742,998	1,746,660
Net assets released from restrictions	62,251	22,330	14,426
Contributions	36,813	80,636	110,747
Miscellaneous	29,193	38,775	20,908
Interest	8,655	10,888	5,503
Gain on sale of fixed assets	-	6,728	-
Total support and revenue	<u>7,354,066</u>	<u>7,434,315</u>	<u>6,853,457</u>
<u>EXPENSES</u>			
Salary, wages, payroll taxes and benefits	4,063,397	4,120,884	3,951,911
Program service and supplies	1,682,681	1,703,641	1,413,000
Facilities rent	359,294	344,161	329,567
Miscellaneous	302,824	377,667	331,633
Repairs and maintenance	198,137	132,670	127,049
Telephone and utilities	170,922	170,504	156,967
Conferences, training and events	115,739	124,650	105,015
Insurance and taxes	97,770	91,186	84,227
Professional fees and licensing	86,388	70,655	67,898
Depreciation	46,376	40,066	63,925
Vehicle expenses	43,082	44,520	45,994
Advertising and recruiting	22,918	23,798	34,277
Equipment leases and expenses	21,313	31,215	18,122
Fundraising costs - other	4,575	15,473	9,665
Interest expense	-	58	401
Total expenses	<u>7,215,416</u>	<u>7,291,148</u>	<u>6,739,651</u>
Change in unrestricted net assets	138,650	143,167	113,806
Unrestricted net assets			
Beginning of year	1,109,640	966,473	852,667
End of year	<u>\$ 1,248,290</u>	<u>\$ 1,109,640</u>	<u>\$ 966,473</u>

**California Family Life Center
Statement of Financial Position**

	As of June 30		
	2008	2007	2006
<u>Assets</u>			
Cash and cash equivalent	\$ 1,008,945	\$ 902,403	\$ 821,151
Accounts receivable	817,347	822,342	578,246
Prepaid expenses	25,232	39,531	63,500
Total Current Assets	1,851,524	1,764,276	1,462,897
Property and equipment - net	198,525	185,154	169,719
Deposits	17,763	17,763	17,893
Total Assets	2,067,812	1,967,193	1,650,509
 <u>Liabilities & Net Assets</u>			
Accounts payable	\$ 298,369	\$ 450,825	\$ 413,898
Accrued expenses	238,139	213,702	178,235
Other accrued liabilities	61,925	28,994	29,856
Deferred revenue	-	-	11,627
Obligation under capital lease	-	-	1,985
Total Current Liabilities	598,433	693,521	635,601
Total Liabilities	598,433	693,521	635,601
Unrestricted Net Assets	1,248,290	1,109,640	966,473
Temporarily restricted	220,239	163,182	47,585
Permanently restricted	850	850	850
Total Net Assets	1,469,379	1,273,672	1,014,908
Total Liabilities & Net Assets	\$ 2,067,812	\$ 1,967,193	\$ 1,650,509

Financial Ratios:

	Proforma (a)			
Debt Service Coverage (x)	6.98	N/A	N/A	N/A
Debt/Unrestricted Net Assets (x)	0.26	-	-	-
Margin (%)	1.89	1.93	1.93	1.66
Current Ratio (x)	3.09	2.54	2.54	2.30

Financial Discussion – Statement of Activities (Income Statement)

CFLC's income statement appears to exhibit profitable operations with increases in unrestricted net assets.

CFLC has experienced a long operating history since 1982 and consistent increases in unrestricted net assets during our review period. Most of the increases can be attributed to the expansion of the Foster Family Agency, which accounted for 35% of revenues in the FY 2008. Other major sources of CFLC revenue include group home revenues, Workforce Investment Act Job Training Federal Grant, and supplemental grants and donations.

Important Facts to Note:

CFLC has posted positive operating results during all three fiscal years.

Financial Discussion – Statement of Financial Position (Balance Sheet)

CFLC's balance sheet appears solid with good liquidity and adequate debt service coverage, which tends to indicate CFLC will likely be able to meet its repayment obligation for the proposed HELP II loan.

CFLC appears to have a strong balance sheet, which has grown over the review period from FY 2006 to FY 2008, including good liquidity with cash and cash equivalents of \$1 million, no long-term debt, and increasing total net assets. According to CFLC, their balance sheet improvements can be attributed to long tenured management and staff, and consistent oversight by an experienced Board of Directors.

Important Facts to Note:

- Cash and cash equivalents are substantial at over \$1 million. CFLC appears to have solid liquidity with a current ratio of 3.09x. This can likely be attributed to the factors mentioned above.
- CFLC was able to grow its balance sheet while carrying no long-term debt. As a result, the proforma debt to unrestricted net assets ratio is only 0.26x and the proforma debt service coverage ratio is a solid 6.98x indicating CFLC should likely be able to meet its loan repayment obligation for the proposed HELP II loan.

III. UTILIZATION STATISTICS

Clients Served Fiscal Year Ended January 31

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Totals	178	169	170

IV. ORGANIZATION

Background

CFLC, a not-for-profit organization incorporated in 1982, has 25 years of experience serving juvenile offenders, group home youth, foster children, kin care youth, high school dropouts, and pregnant and parenting teens. In the beginning, the group homes represented CFLC core services for youth that otherwise would have been out on the streets or placed in juvenile hall. CFLC continues to provide residential treatment facilities housing for 32 adolescent (14-18 years) girls and two residential treatment homes for 12 adolescent boys. Through their residential treatment program, CFLC serves over 175 adolescent boys and girls every year. CFLC currently operates 3 group homes and a corporate office in Riverside County and two group homes in San Diego County.

Other CFLC programs include: job training and education, Foster Family Agency services, Parents As Teachers program, and MY LIFE (Living Independently Fostering Excellence). These programs provide additional and continuing services to group home and other “at risk” youth.

Licenses

CFLC is licensed by the State Department of Social Services to operate and maintain Group Homes.

V. OUTSTANDING DEBT

Currently, CFLC has no long-term debt. With this proposed HELP II loan financing, CLFC will have \$320,000 in long-term debt.

VI. DUE DILIGENCE:

Due diligence has been completed with regard to the following items:

- Savings Pass Through: CFLC has provided a description of its savings pass through in **Exhibit A**.
- Section 15459.1 of the Act (Community Service Requirement): CFLC has executed this certification indicating that Medi-Cal and Medicare patients are accepted. A copy of the certification is provided as **Exhibit B**.
- Religious Due Diligence
- Legal Review

VII. STAFF RECOMMENDATION

Staff recommends approval of a HELP II loan for California Family Life Center in an amount not to exceed \$320,000 for a term not to exceed 15 years, and contingent upon financing terms acceptable to the Authority.